

NOTE 21 – FUND DEFICITS

Primary Government

Governmental Funds

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of \$29.5 million. The fund deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of \$211.0 million. The fund deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

Proprietary Funds

The Office Services Revolving Fund, an internal service fund, had a net asset deficit of \$7.2 million. The fund deficit is expected to be eliminated over the next several fiscal years with rate increases as well as various cost saving initiatives.

The Michigan Unemployment Compensation Funds, an enterprise fund, had a net asset deficit of \$90.4 million. The fund deficit was the result of repayable federal advances obtained from the U.S. Department of Labor in the amount of \$362.4 million that have yet to be paid back.

Discretely Presented Component Units

All discretely presented component units have positive net asset balances as of September 30, 2008, with the exception of the Michigan Education Trust (MET). MET's net asset deficit of \$97.5 million was caused primarily by the decrease in the fair value of investments.

NOTE 22 – FUND BALANCES AND NET ASSETS

Reservations - Primary Government

The line entitled "Reserved fund balance" on the Governmental Funds Balance Sheet at September 30 consists of the following (in millions):

	General Fund	School Aid Fund	Other Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
Budgetary carry-forwards:						
Encumbrances	\$ 94.7	\$.4	\$ 143.8	\$ -	\$ 21.0	\$ 259.9
Restricted revenues	434.2	247.1	310.5	-	2.9	994.8
Multi-year projects (capital outlay and work projects)	40.1	2.9	275.5	-	51.9	370.4
Construction and debt service	-	-	116.5	-	-	116.5
Revolving loan programs	5.0	-	65.9	-	-	70.9
Funds held as permanent investments	-	-	143.7	-	557.3	701.0
Noncurrent assets	259.1	4.2	24.8	-	-	288.1
Other purposes	-	-	-	.3	-	.3
Total Reserved Fund Balances	<u>\$ 833.1</u>	<u>\$ 254.6</u>	<u>\$ 1,080.8</u>	<u>\$.3</u>	<u>\$ 633.1</u>	<u>\$ 2,801.9</u>

Budgetary carry-forwards represent unused spending authorization that continues to be available in the new year. Restricted revenue carry-forwards include revenues restricted by law for specified purposes. The largest restricted revenue carry-forward in the General Fund is related to the Refined Petroleum Fund in the amount of \$37.6 million. The \$40.1 million of multi-year projects in the General Fund includes \$1.7 million of capital outlay and \$38.3 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

Reserves for revolving loan programs represent fund balance, which has been appropriated for the purpose of making loans that will encourage economic development and pollution prevention in the State. Repayments on such loans are authorized to be used to make new loans.

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. These investments can include either specific investments held for the fund or portions of the fund's share of the Common Cash pool.